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| INFO | LOG-00  | ADS-00  | INR-07  | EUR-00  | SS-00   | CIAE-00 | EB-00  |
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|      | L-03    | TRSE-00 | PM-10   | AIT-02  | PA-01   | OMB-01  | STR-18 |
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TO SECSTATE WASHDC NIACT IMMEDIATE 1713  
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USIA WASHDC IMMEDIATE 8594  
SECDEF WASHDC IMMEDIATE  
AMCONSUL CHENGDU POUCH)

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TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH  
SUBJECT: TFCH01: SITREP NO. 62, JUNE 24, 1700 LOCAL

1. CONFIDENTIAL ENTIRE TEXT.  
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2. SUMMARY: THE JUNE 23 EVENING NEWS AND JUNE 24  
CHINESE PAPERS GAVE PROMINENT COVERAGE TO SPEECHES  
DENG XIAOPING HAS DELIVERED EMPHASIZING THE FOUR  
CARDINAL PRINCIPLES AND OPPOSITION TO BOURGEOIS

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LIBERALIZATION. THIS IDEOLOGICAL CAMPAIGN INDICATES THAT HARD-LINE ORTHODOX IDEOLOGUES ARE IN CONTROL OF THE IDEOLOGICAL APPARATUS AND THE IMPLEMENTATION OF POLICY.

/

3. McDONNELL DOUGLAS AND XEROX HAVE SUSPENDED PROJECTS IN CHINA, CITING CHINA'S LACK OF FOREIGN CAPITAL TO PAY FOR THE PROJECTS. THE HEAVY PRESENCE OF PLAINCLOTHES POLICEMEN CONTINUES AROUND THE EMBASSY BUILDINGS. THE CHINESE AUTHORITIES HAVE PASSED A VERBAL RESPONSE TO OUR DIPLOMATIC NOTE ON THE SHOOTING OF THE DIPLOMATIC COMPOUND- THE RESPONSE SAYS SOME DAMAGES WILL BE PAID, BUT MAKES NO APOLOGY. ONE OF 27 SENTENCED FOR RIOTING IN CHANGSHA RECEIVED A DEATH SENTENCE, BUT WAS A TWO YEAR REPRIEVE. THERE WAS CONTINUED COVERAGE OF ARRESTS OF TAIWAN "AGENTS" IN THE OFFICIAL PRESS. A

[REDACTED] HAS INFORMED US THAT THE AUTHORITIES HAVE ARRESTED 8 REFORM MINDED INDIVIDUALS. THE CENTRAL COMMITTEE MAY BE MEETING NOW TO REMOVE MODERATES AND RESTRUCTURE THE POLITBURO STANDING COMMITTEE. END SUMMARY.

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CONSERVATIVE IDEOLOGICAL CAMPAIGN BEGINS  
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3. THE MAIN COVERAGE ON THE JUNE 23 EVENING NEWS AND THE BOLD HEADLINE IN THE JUNE 24 PEOPLE'S DAILY WAS QUOTATIONS FROM SPEECHES BY DENG XIAOPING EMPHASIZING ADHERENCE TO THE "FOUR CARDINAL PRINCIPLES" (THE SOCIALIST ROAD; PEOPLE'S DEMOCRATIC DICTATORSHIP; THE LEADERSHIP OF THE COMMUNIST PARTY; AND MARXISM, LENINISM AND MAO ZEDONG THOUGHT) AND OPPOSITION TO BOURGEOIS LIBERALIZATION AS ESSENTIAL TO REALIZE THE "FOUR MODERNIZATIONS". ORTHODOX IDEOLOGUES SEEN TO BE FIRMLY IN CONTROL OF THE IDEOLOGICAL APPARATUS.

/

4. ONE SPEECH QUOTED BY THE PEOPLE'S DAILY WAS A CONVERSATION IN JUNE 1985 IN WHICH DENG XIAOPING STATED THAT SUPPORT FOR "DEMOCRACY AND FREEDOM OF THE WESTERN CAPITALIST COUNTRIES" AND REJECTION OF SOCIALISM..."CANNOT BE ALLOWED. CHINA MUST MODERNIZE; IT MUST ABSOLUTELY NOT LIBERALIZE OR TAKE THE CAPITALIST ROAD AS COUNTRIES OF THE WEST HAVE DONE. THOSE EXPONENTS OF BOURGEOIS LIBERALIZATION WHO HAVE VIOLATED STATE LAW MUST BE DEALT WITH SEVERELY." IN A 1986 SPEECH HE FERVENTLY OPPOSED THOSE IN HONG KONG AND TAIWAN WHO ARE TRYING TO "TURN CHINA'S PRESENT POLICIES IN THE DIRECTION OF

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CAPITALISM," AND SAID THAT THE TREND TOWARDS LIBERALIZATION MUST BE CHECKED. IN ANOTHER 1986 SPEECH DENG SAID "BOURGEOIS LIBERALIZATION WOULD PLUNGE THE COUNTRY INTO TURMOIL...BOURGEOIS LIBERALIZATION MEANS REJECTION OF THE PARTY'S LEADERSHIP."

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U.S. FIRMS PLACE PROJECTS ON HOLD

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L-03 TRSE-00 PM-10 AIT-02 PA-01 OMB-01 STR-18  
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TO SECSTATE WASHDC NIACT IMMEDIATE 1714  
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USCINCPAC HONOLULU HI IMMEDIATE  
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TAGS: MOPS, PINS, PREL, PGOV, PHUM, SOCI, CH  
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5. SHANGHAI REPORTED (SHANGHAI 4530) THAT MCDONNELL DOUGLAS HAS SHELFED FOR THE INDEFINITE FUTURE THE SALE OF TWENTY ADDITIONAL MD-82 AIRPLANE KITS TO BE ASSEMBLED IN SHANGHAI. MCDONNELL DOUGLAS REPRESENTATIVE FELT THAT THE PRC NO LONGER HAD ENOUGH FOREIGN EXCHANGE RESOURCES GIVEN THE COLLAPSE OF TOURISM AND FOREIGN TRADE DIFFICULTIES.

/

6. EMBASSY'S SCO REPORTS THAT XEROX IS ALSO CONSIDERING PUTTING ON HOLD TWO JOINT VENTURES FOR THE FORESEEABLE FUTURE.

/

HEAVY PRESENCE OF PLAINCLOTHES POLICEMEN AROUND THE THREE EMBASSY BUILDINGS

7. THE EMBASSY HAS PROTESTED TO THE CHINESE GOVERNMENT THROUGH A DIPLOMATIC NOTE THE LARGE NUMBER OF PLAINCLOTHES POLICEMEN LOITERING AROUND EACH OF THE THREE EMBASSY BUILDINGS. THE PLAINCLOTHES POLICE HAVE INTERFERED WITH EMBASSY FUNCTIONS THROUGH HARASSING VISITORS, AND INTRUDING INTO CONVERSATIONS BETWEEN CONSULAR AND EMBASSY OFFICIALS AND THE PUBLIC. THEY ALSO HAVE SHOWN GREAT WILLINGNESS TO ENGAGE IN VERBAL SPARING WITH EMBASSY OFFICIALS. THEY HAVE INCREASED OUR FLUENCY IN COLOQUIAL CHINESE VOCABULARY.

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CHINESE GIVE VERBAL REPLY TO SHOOTING OF DIPLOMATIC CONFIDENTIAL

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8. THE PROTOCOL DEPARTMENT OF THE MFA CALLED THE EMBASSY ON JUNE 23 AND INFORMED US THAT IN RESPONSE TO OUR DIPLOMATIC NOTE PROTESTING THE SHOOTING OF THE DIPLOMATIC COMPOUND BY PLA SOLDIERS, THE DIPLOMATIC SECURITY BUREAU HAS CARRIED OUT AN INSPECTION OF THE DAMAGE TO EMBASSY DWELLINGS AND WILL MAKE APPROPRIATE COMPENSATION. NO APOLOGY WAS MADE AND NO WRITTEN REPLY TO OUR DIPLOMATIC NOTE WILL BE ISSUED. WE PLAN TO DELIVER ANOTHER NOTE, INCORPORATING VIENNA CONVENTION LANGUAGE PROVIDED BY THE DEPARTMENT AT A MEETING WITH THE MFA NEXT WEEK.

/

ONE OF 27 SENTENCED IN CHANGSHA TO BE EXECUTED

9. THE LOCAL PRESS HAS REPORTED THAT ONE, LI WEIHONG, OF 27 PEOPLE FOUND GUILTY FOR DESTROYING PUBLIC PROPERTY AND ASSAULTING POLICE HAS BEEN SENTENCED TO DEATH, BUT WITH A TWO YEAR REPRIEVE. THE OTHERS WERE SENTENCED TO 1 5 YEARS IN PRISON.

/

TAIWAN "AGENTS" GET COVERAGE

10. THE OFFICIAL PRESS TOOK A DAY OFF FROM ITS CAMPAIGN OF CRITICAL REMARKS AGAINST VOA, THE U.S. PRESS AND U.S. INTERFERENCE. THE JUNE 23 EVENING NEWS AND FRONT PAGE OF THE JUNE 24 PEOPLE'S DAILY GAVE COVERAGE OF THE ARREST OF TAIWAN AGENTS (REPORTED IN OUR PREVIOUS SITREP). REPORTS SAID THE ARRESTS CONFIRM "FOREIGN" INFLUENCE IN THE SUPPORT FOR THE "REBELLION" AND ADDED A NEW ANGLE, THE OLD THEME THAT "TAIWAN AUTHORITIES WAITED 40 YEARS FOR THE OPPORTUNITY TO OPPOSE THE UNIFICATION OF THE TWO CHINAS."

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INFO AIT TAIPEI IMMEDIATE  
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AMEMBASSY MOSCOW IMMEDIATE  
AMEMBASSY NEW DELHI IMMEDIATE  
AMEMBASSY PARIS IMMEDIATE  
AMEMBASSY SEOUL IMMEDIATE  
AMEMBASSY TOKYO IMMEDIATE  
USCINCPAC HONOLULU HI IMMEDIATE  
USIA WASHDC IMMEDIATE 8596  
SECDEF WASHDC IMMEDIATE  
AMCONSUL CHENGDU POUCH)

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MORE ARRESTS REPORTED

11. [REDACTED] INFORMED US THAT THE B1  
AUTHORITIES HAVE ARRESTED 8 REFORM MINDED  
INDIVIDUALS. ONE INCLUDES SU XIAOKANG, AUTHOR OF  
"HESHANG" ("RIVER ENERGY").

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CENTRAL COMMITTEE MEETING UNDERWAY

12. AS REPORTED IN OUR SITREP 59 (BEIJING 36832),  
SENIOR OFFICIALS ARRIVED IN BEIJING ON JUNE 21,  
POSSIBLY TO PARTICIPATE IN THE FOURTH PLENUM OF THE  
THIRTEENTH PARTY CONGRESS CENTRAL COMMITTEE. SOURCES  
HERE BELIEVE THAT MODERATES, INCLUDING ZHAO ZIYANG,  
WILL BE REMOVED AND THE MEETING WILL RESTRUCTURE THE  
POLITBURO STANDING COMMITTEE MEMBERS.  
LILLEY

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